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GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING UNDER SPECIAL TRUST FUNDS, INDUSTRIAL DEVELOPMENT FUND AND THE REGULAR BUDGET

Regulatory framework for the implementation of Articles 16 and 17 of the Constitution

Report by the Director-General

Summary

In accordance with resolution GC.4/Res.28 describes the steps taken to revise the regulatory framework for the implementation of Articles 16 and 17 of the Constitution and submits the requested draft additions to the Board at its tenth session.

1. The Director-General, in his note to the Board at its eighth session (IDB.8/33), described the existing regulatory framework for the implementation of Article 16 of the Constitution concerning voluntary contributions. In paragraphs 9 and 10 of the note, the Director-General referred in particular to his bulletin UNIDO/DG/B.18 of 28 February 1986 containing guidelines on the preparation, processing, monitoring and negotiation of trust fund projects not funded from the Industrial Development Fund. In view of the growth experienced in the special trust fund programme and in order to take into account the experience gained by the Secretariat since UNIDO became a specialized agency, the Director-General announced his intent to revise bulletin No. 18 to provide a more detailed set of guidelines and procedures for special trust fund projects as well as for projects funded by the Industrial Development Fund and the regular budget (ibid., para. 10).

2. The present report is submitted pursuant to the following requests made by the policy-making organs: At its eighth session the Board adopted decision IDB.8/Dec.34 on evaluation of the objectives and functions of UNIDO in view of recent changes and developments in the world, which, in its paragraph (e), requested the Director-General to expedite the work on the revised bulletin with a view to enabling the Programme and Budget Committee to review it at its eighth session. Thereupon the General Conference, in paragraph 1 of resolution GC.4/Res.20, reiterated paragraph (e) of Board decision IDB.8/Dec.34, and in paragraph 8 of resolution GC.4/Res.28 on guidelines for special trust fund projects, inter alia invited the Director-General to report on the steps taken to revise the regulatory framework for the implementation of Articles 16 and 17 of the Constitution.

3. The Director-General has approved the issuance of a revised and expanded version of the above-mentioned bulletin which will be entitled "Model agreements and related guidelines for projects financed from trust funds, special-purpose contributions to the Industrial Development Fund, the general pool of the Industrial Development Fund or the regular budget". It is expected that the revised bulletin UNIDO/DG/B.18/Rev.1 will be available before the eighth session of the Programme and Budget Committee.

4. In chapter I, Introduction, Applicability of the new bulletin, a pragmatic approach is taken to the form in which project documents shall normally be approved on behalf of the Governments of recipient countries. For projects above a certain size, such approval should normally be expressed through a signature on the project document itself, while such acceptance may continue to be expressed and recorded by the Secretariat in a less formal manner for smaller projects and for regional, interregional and global projects. Taking into account that the purpose of the bulletin is to establish guidelines to be followed whenever possible, the Director-General will

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Distr.: 29 May 1992

continue to apply those procedures in a flexible manner.

5. With respect to the guidelines in chapter III of the bulletin on the necessary legal framework that must be established between UNIDO and the Governments of recipient countries, attention is drawn to the fact that the Standard Basic Cooperation Agreement is applicable in only 18 Member States while it has been formally proposed to 120 Member States. Although negotiations are being actively pursued with a substantial number of Governments, it would greatly facilitate the Secretariat's implementation of future projects if more Governments would conclude the Standard Basic Cooperation Agreement with UNIDO, since in that event the ad hoc legal arrangements outlined in chapter III of the bulletin would normally no longer be necessary.